

1964

The form of reconstruction is becoming apparent now. And while it will not permit everyone who lost to recover all their losses, there can be little doubt that the results are satisfactory.

If more government officials functioned with the same type of positive outlook and attention to needs and details, that word "bureaucrat" would fast disappear from popular dictionaries.

### OIL OUTLOOK BRIGHT

Mr. BARTLETT. Mr. President, on August 20 the New York Times published an article which set forth what many Alaskans already know: Oil is "the key to a bright, long-term economic outlook for the 49th State."

The article quotes industry observers as saying:

In future decades, oil may be produced in that area in quantities rivaling the output of some of the rich Middle East fields.

The oil industry in Alaska is booming, Mr. President. I ask unanimous consent that the Times article be made a part of the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

U.S. COMPANIES USE LATEST EQUIPMENT TO FIND AND PUMP ALASKAN OIL—OIL BRIGHTENING ALASKA OUTLOOK—MAJOR CONCERNS IN RACE TO DEVELOP VAST DEPOSITS

(By Lawrence E. Davies)

FAIRBANKS, ALASKA, August 19.—Despite the earthquake that left parts of south-central Alaska prostrate last spring, oil is ranked by many Alaskans as the key to a bright long-term economic outlook for the 49th State.

Nineteen major oil companies are exploring or producing in Alaska. Some have spent millions on abandoned dry holes. The Kenai Peninsula below Anchorage is yielding 30,000 barrels a day from more than 50 producing wells.

Two of the companies, the Shell Oil Co., and the Pan American Petroleum Corp., a subsidiary of the Standard Oil Co. (Indiana), are locked in a multi-million-dollar battle in Anchorage, the center of the State's petroleum activity.

The rival concerns are fighting over which is entitled to discovery rights in an oil formation under Cook Inlet and which, therefore, is entitled to pay a much reduced royalty rate on oil and gas to be produced there.

#### INTEREST IN ARCTIC SLOPE

Here in Fairbanks, the capital of interior Alaska, interest is focused on exploratory drilling on the Arctic slope, hundreds of miles to the north above the rugged Brooks Range.

Some enthusiastic industry observers believe that in future decades oil may be produced in that area in quantities rivaling the output of some of the rich Middle East fields.

One day more than 7 years ago, William Bishop of the Richfield Oil Co. sank his boot heel into the ground and said to drillers, "Dig here." Since the resultant discovery well on the Kenai Peninsula started producing, the oil fever has spread from the Gulf of Alaska to the Arctic Ocean.

Phillip Holdsworth, Alaska's Commissioner of Natural Resources, reported at Juneau recently that oil companies had spent \$350 million to date for exploration, leases, drilling, and production.

Last year's expenditures by the companies totaled \$70 million, Mr. Holdsworth said. He predicted a larger figure for 1964, chiefly

because of a flurry of activity in discovery fields under the waters of Cook Inlet on the west side of the Kenai Peninsula.

As a result of the industry's outlay and accomplishments, the State's cash return from leases and royalties has reached \$77.5 million. This includes \$26 million from the Federal Government as Alaska's share of lease and royalty payments, \$50 million in bonuses on the leasing of State lands, and \$1.5 million in rentals from those tracts.

A little less than a year ago, excitement over Alaska's petroleum industry was renewed by the discovery of oil by Shell in a new field under the waters of Cook Inlet 60 miles southwest of Anchorage.

Production had been confined up to them to the Swanson River and Soldotna fields on the Kenai Peninsula, where the Standard Oil Co., of California is the operator for a group including the Richfield, Union, and Marathon oil companies.

#### DRILLING PLATFORM PLANNED

At a dinner in Anchorage last October, imaginations were fired by an announcement from Samuel F. Bowlby, a vice president of Shell, that a drilling platform would be built this year at a cost of \$5.5 million. From this platform, 20 or more wells could be drilled into the soil formations under Cook Inlet, he said.

The platform will be built to withstand some of the world's most difficult drilling operations under the rigors of high tides and winter ice, Mr. Bowlby added.

This week, after being towed from a shipyard in the San Francisco Bay area where it was built by the Kaiser Steel Corp., the platform was sunk into place. A drilling rig 173 feet high and living quarters for 50 men are to be placed on the platform.

R. R. Robison, Alaska division production manager for Shell, said the platform should be ready for drilling operations by December.

#### SITE OF DISCOVERY

Its site is on the Middle Ground Shoal lease where the company found oil a year ago.

However, in January 1963, the State decided that Pan American Petroleum was entitled to discovery rights in the same geologic structure in which Shell afterward found oil.

This meant that on all the oil and gas it would produce from wells in that structure over a 10-year period. Pan American, acting also for the Phillips Petroleum, Sinclair Oil, and Skelly Oil Cos., would have to pay the State a royalty of only 5 percent instead of 12½ percent.

The larger amount is the royalty paid on oil and gas produced by all wells except those on the discovery lease. Discovery leases are restricted to one to any geologic formation.

#### SHELL CONTESTS RULING

Shell Oil, which also represented Standard of California and Richfield, began action this month to upset Commissioner Holdsworth's decision giving discovery rights to Pan American.

During a 10-day hearing in a State court room at Anchorage—a hearing that ended on Monday—Shell sought to show that the award to Pan American was based on insufficient evidence that Pan American had made a commercial discovery.

A decision is expected about Thanksgiving Day.

The first Pan American well in Middle Ground Shoal was ruined by a gas blowout. Since then, the company has been drilling other holes in the area and the day before the hearing opened it announced that partial tests had indicated production of at least 957 barrels of oil a day from one of these bores.

There is also activity among several companies in the Foreland area on the west side of Cook Inlet, on the Susitna River, 50 miles west of Anchorage and at several other south-central Alaska locations.

#### MILLIONS ON DRY WELLS

Some dry wells have been abandoned after the expenditure of millions of dollars. One of the most notable was a \$7 to \$8 million dry hole drilled by Humble Oil & Refining Co. on the Alaska Peninsula several years ago.

Exploration and drilling are going into high gear on the Arctic slope, where the Navy during and after World War II proved there was oil in commercial quantities. A half dozen seismic crews are busy on the north slope and two rigs that were drilling there last winter are being prepared to continue their work.

Richfield has just signed a contract with the Federal Department of the Interior for exploration and gas and oil development on 590,812 acres near the Arctic Ocean more than 350 miles above Fairbanks.

The company has agreed to drill at least three exploratory wells and spend a minimum of \$1.3 million before January 31, 1972.

#### STATE SEEKING TITLE

The State has applied for title to 1.5 million acres of land along the Arctic Ocean between the naval petroleum reserve and the Arctic wildlife range. This is part of the 105 million acres Alaska is entitled to choose for itself under the Statehood Act.

John T. Rowlett of Fairbanks, a consulting petroleum engineer familiar with the north slope situation, said that activity there had led to "some dry holes, some producers and some unannounced results."

"I can easily think of 75 to 100 years of increased activity in that enormous area," he asserted. "I think we've already discovered the obvious fields in other parts of the country and now the geological indications are so good in this spanking new area that we can expect to find some major oil fields in the Arctic."

"The potential is there to make it one of the most attractive research areas on the North American Continent."

### IMPROVE OUR MERCHANT MARINE

Mr. BARTLETT. Mr. President, on more than one occasion I have spoken on the floor of this Chamber about the state of our merchant marine. So I was especially gratified to learn that Adm. Ralph K. James, executive director of the Committee of American Steamship Lines, had appeared before the Democratic platform committee, and had proposed the adoption by it of a plank noting the interest of the Democratic Party in continuing aid in the construction and operation of our merchant marine, so as to bring it up to the standard of foreign nations who have proceeded apace in modernizing their merchant fleets. I ask unanimous consent that the text of Admiral James' statement and his proposed plank be printed in the RECORD.

There being no objection, the statement and the proposed platform plank were ordered to be printed in the RECORD, as follows:

On behalf of the Committee of American Steamship Lines, I wish to thank you for this opportunity to discuss a vital American industry with you. Our committee is composed of 15 steamship companies who operate exclusively under the U.S. flag.

During your review of all of the vast problems of our Nation during this space age, it is well to recall that a traditional element of our economic and military strength is today more essential than ever before. Without fast, modern ships under our own flag, we

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cannot import the vital raw materials our economy requires, succor our allies, or support our Armed Forces with vast quantities of equipment on the four corners of the earth.

Fortunately, the American merchant marine has long earned the support of the Democratic Party. Members of your party were architects of our basic national policy, the Merchant Marine Act of 1936. Congress has since sponsored improvements in it and has worked hard for other helpful legislation and President Johnson has reaffirmed the vital role of the American merchant marine in the nuclear age.

As a result of the policies set forth in the 1936 act, part of our merchant marine is in excellent shape.

Our CASL lines operate 300 fast cargo vessels on some 31 trade routes declared essential by the Department of Commerce. This liner fleet comprises about one-third of the American-flag ships in foreign trade. Altogether, liners, tankers, contract and bulk carriers contribute almost \$1 billion annually to the Nation's balance of payments. As a defense asset, moreover, the quick availability of merchant ships has enabled us to take strong stands in Korea, Lebanon, Cuba, Vietnam, and elsewhere.

A merchant marine is a vital element of national seapower. The Russians have recognized this fact. The Soviet merchant marine has more than doubled in size since 1952. The current estimate places the Soviet fleet at almost 1,200 ships of some 6½ million deadweight tons, almost half the capacity of our fleet. The Soviet fleet, moreover, has doubled since 1952 while ours has declined 11 percent. And by 1980, Russian officials plan to have a merchant fleet three to four times its present size.

Your 1960 platform recognized our national goal of a strong commercial and defense fleet. It recognized that Government aid is required, because American operation with exclusively American crews means high labor costs. We cannot compete effectively with low foreign labor. Government makes up the difference to put American operators on a more or less equal basis with foreign ships. Over 80 percent of subsidy payments goes to ships' crews.

This, of course, is the parity basis of subsidy in the Merchant Marine Act of 1936. Subsidy does not protect the steamship companies against losses nor guarantee them a profit. The individual lines are on their own, win, lose, or draw. They must meet subsidy contract obligations to employ only American crewmen, make a fixed number of voyages on regular schedules, purchase supplies and repair ships in the United States, serve fixed trade routes and to replace ships every 25 years with new vessels that meet Department of Defense standards. We are now almost half way through a \$4 billion vessel replacement program. If CASL line earnings are over a certain amount, the lines must return up to all of the subsidy to the Government.

The 1936 act also provides for Government to pay the difference in costs of U.S. and foreign shipyards up to about half the cost of the vessel. These construction subsidies are paid directly to the shipyards and not to the operators, who could purchase ships at least as cheaply in foreign countries if permitted to do so.

We are building our maritime strength on the free system of individual enterprise represented by private ownership and open competition—with only the necessary minimum of Government regulation and expense. Actually, subsidy payments cover only about 20 cents on the entire ship operating dollar. The principle of parity has worked well in helping to maintain our liner fleet.

On the other hand, the tanker, tramp and bulk carrier segments of the U.S. merchant

marine fleet have declined. At the end of 1963, the American-flag fleet over only 67 tankers operating in foreign trade and only 112 tramp vessels. But the difficulties faced by some segments of our fleet do not detract from the effectiveness of the 1936 act, which is a liner act, not a tanker, tramp or bulk carrier act. If aid to these other segments of the foreign trade fleet is required by national policy, we believe that it should be based on achieving parity of costs with foreign operators.

The CASL lines are working on many programs intended to keep operating subsidies at a minimum. New automated ships will save one-third in crew costs and reduce subsidy \$2½ million over the 25-year life of each vessel. Vigorous sales promotion and foreign trade development programs are underway. We spend more than \$17 million annually on cargo expansion. We participate strongly in the national export expansion program.

While government support is vital, the primary need of our merchant marine is more passengers and cargo. We have worked diligently towards this goal and have in fact earned a Presidential E-Award for export promotion. Rates on our liner vessels are identical with those of their foreign competitors. We urge that your 1964 platform be expanded to urge Americans to use their own ships wherever possible. At present, our liner vessels carry 29.2 percent of the tonnage and 37 percent of the value of U.S. cargoes for which they compete. Foreign lines, because of the national loyalty of their shippers, usually carry upwards of 50 percent of their own countries' cargo. This is our goal and we look forward to working with you in achieving it in the next 4 years.

We respectfully suggest that in its 1964 platform, the Democratic Party adopt the merchant marine plank attached hereto.

#### MERCHANT MARINE PLANK PROPOSED BY THE COMMITTEE OF AMERICAN STEAMSHIP LINES

A strong and efficient American-flag merchant marine is essential to peacetime commerce and defense emergencies. Continued aid for construction and operation to offset cost differentials favoring foreign shipping is essential to these objectives. Shippers and travelers should make maximum use of these facilities which contribute so greatly to our balance of payments and export expansion goals.

#### SIGNAL CONTRIBUTIONS TO THE SOUTHEAST ASIA DEBATE

Mr. BARTLETT. Mr. President, the junior Senator from South Dakota [Mr. McGovern] and the junior Senator from Wisconsin [Mr. Nelson] have been in this body little more than 3 years; yet, in this period they have made responsible and substantial contributions to the proceedings of the Senate.

The Senator from South Dakota [Mr. McGovern] is concerned with the problems of economic reconversion. These are, of course, at the heart of any realistic disarmament proposal. If disarmament is ever to have a chance, we must understand, and be prepared to cope with the problems of conversion. The Senator from South Dakota has done much to draw our attention to this fact.

The Senator from Wisconsin [Mr. Nelson] has called attention to the need to overhaul our present Selective Service System. With the increasing complexities of the nuclear age and with the increasing mental and technical demands made on the military man, it is

becoming ever more apparent that the draft needs revision. The Senator from Wisconsin is doing a service to the defense of our country and the well-being of our people by bringing thought to this problem.

Last week, the Senate debated the resolution, requested by the President, pledging continued United States efforts to maintain peace and security in Southeast Asia. The resolution was passed by an overwhelming vote, as it should have been. The debate served a most useful purpose: It gave opportunity for a full exploration of present conditions in the Vietnams, and of our participation in the agonizing war there. Both the Senator from Wisconsin and the Senator from South Dakota spoke to the point. Their speeches were shrewd and sound. Both emphasized that unprovoked aggression—such as that upon our ships in the Bay of Tonkin—must be met with effective response. They emphasized, as did the President, the point that this response should be fitting and limited.

Senator McGovern, in reviewing the Vietnamese war, pointed out the anomaly of the situation: It is a war which can be won only by the South Vietnamese themselves and apparently they are losing the enthusiasm they must have if they are to win it. A deepening of American involvement, an invasion to the north, or a general escalation of the fighting will not win the struggle, which is largely South Vietnamese, and could risk very grave dangers indeed.

Both Senators expressed the need for the development of other options for American policy in Vietnam. Diplomatic and political solutions may be possible. In no other areas of the world are interrelationships more subtle, historical ties more complex, or enmities more intricate. Indochina is a fertile field for diplomacy; and as Winston Churchill once said, "Better jaw, jaw than war, war."

In calling for alternate avenues for United States policy, Senator Nelson stated the matter well when he said:

We should attempt to make it clear that if negotiation and diplomacy can achieve the objectives of peace and freedom, this Nation is more than willing to "walk the last mile" in search of a peaceful settlement.

Both the Senator from South Dakota and the Senator from Wisconsin made signal contributions to last week's debate on Southeast Asia.

#### STATISTICS AND OUR NUCLEAR FORCE

Mr. SIMPSON. Mr. President, in the heat of the vitriolic attack by Secretaries McNamara and Rusk on the Republican Party's concept of our national defense policies and capabilities, a recent article by Robert Allen and Paul Scott takes on a unique significance.

Messrs. Allen and Scott state:

There is a hollow ring of hokum to Defense Secretary McNamara's huffy claim that U.S. strategic strike capability is increasing. The real fact is that the exact opposite is true.